

COMPREHENSIVE PROGRAM TO SUPPORT SMALL BUSINESS AND MICROENTERPRISE

(BO-0171)

EXECUTIVE SUMMARY

BORROWER: Republic of Bolivia

EXECUTING AGENCIES: Credit subprogram:
Nacional Financiera Boliviana, SAM [Bolivian National Finance Joint Venture] (NAFIBO)
Technical cooperation subprogram:
Servicio de Asistencia Técnica [Technical Assistance Service] (SAT) and Vice Ministry of Microenterprise

AMOUNT AND SOURCE: IDB: US\$35 million (FSO hard
Local contribution: US\$8.75 million
Total: US\$43.75 million

FINANCIAL TERMS AND CONDITIONS: Amortization period: 40 years
Disbursement period: 4 years
Grace period: 10.5 years
Interest rate: 1% during the grace
period thereafter
Inspection and supervision: 1%
Credit fee: 0.75%

OBJECTIVES: The general objective of the program is to strengthen the economy of urban and rural small businesses and microenterprises in Bolivia to reduce poverty, unemployment and social marginality.

DESCRIPTION: To achieve the proposed objective, the program will have two subprograms: (a) a line of credit for the granting of subloans to help small businesses and microenterprises gain access to the financial system, designed to act as a catalytic element to consolidate the continuity of the target group's participation in formal financial services; and (b) technical cooperation for direct support of the target group served by the SAT and to strengthen the agency governing the microenterprise sector.

CESI: The Committee on Environment and Social Impact (CESI) recommended the inclusion of rules on environmental prevention and control, and identified activities that could affect the environment. The rules have been included. The Committee also recommended the inclusion of gender issues and the participation of

indigenous groups, and these aspects were taken into consideration in preparation of the operation (paragraphs 2.29 to 2.36).

BENEFITS:

The program is designed to promote comprehensive development of small business and microenterprise, by helping them to gain access to credit from the formal finance system and to training, both at the management level and at the level of workers in such enterprises with the objective of increasing their productivity, increasing income and creating new sources of employment. User eligibility criteria will be strict, to prevent the exclusion or replacement of the target group.

Additional credit resources from the program, that the small businesses and microenterprises will receive will allow longer loan terms, so that investment projects in the productive sectors can be financed and microenterprises can develop and graduate.

The technical cooperation that the small businesses and microenterprises will receive under the program will improve their productive structures and the quality of the goods and services they provide, in addition to helping them to improve their management and accounting and the marketing of their products. The assistance is expected to help them gain access to modern technology, so that they can penetrate foreign markets, and thereby increase the country's exports.

RISKS:

Macroeconomic context: The national government has reaffirmed its willingness to maintain current policies. Nevertheless, an interruption of the macroeconomic program and an environment of price stability could discourage investment and the demand for credit under the program.

Financial intermediaries: The eligibility criteria for the ICIs that will participate in the program will be strict, so that only the most solvent ones may participate, guaranteeing effective channeling of Program funds to the target group.

**THE PROJECT'S ROLE
IN THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

The principal objective of the Bank's activity in Bolivia consists of supporting the government's efforts to fight poverty, through the creation of private-sector employment opportunities and an increase in worker productivity and measures to alleviate poverty, by helping the most disadvantaged groups gain access to basic education, health, sanitation and housing services. The strategy has three lines of action: (i) economic growth and the creation of opportunities; (ii) development of human capital and access to basic social services; and (iii) governability and consolidation of reforms.

The line of action for economic growth and the creation of opportunities emphasizes the promotion of services for rural and microenterprise development in the areas of: (a) access to credit; (b) access to nonfinancial support services; and (c) rural development and environmental protection.

In the first line of action, the Bank will concentrate on (a) expanding flows of resources for investment in microenterprises, (b) supporting policies and regulations favorable to the sector; (c) strengthening sector institutions; and (d) increasing access to financial services, especially for low-income microentrepreneurs from certain disadvantaged groups (women and indigenous groups). With regard to access to nonfinancial productive support services, support will be provided for the Technical Assistance Service (SAT) for microentrepreneurs among other activities.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Conditions precedent to the first disbursement:

(a) Credit subprogram: execution of the transfer agreement between the borrower and NAFIBO (paragraph 3.3); and entry into force of the Credit Regulations (paragraph 3.4); (b) technical cooperation subprogram: for each component, execution of the respective transfer agreements between the borrower and the SAT and the Vice Ministry of Microenterprise (paragraph 3.3); entry into force of the Operating Regulations for the component under the responsibility the SAT (paragraph 3.22); and a system to gradually cover the SAT's operating costs (paragraph 3.36).

Conditions during the life of the loan: Once 25% of the funding has been disbursed, the borrower and the Bank will evaluate the program's progress so that any necessary revisions and adjustments to the agreed-upon implementation mechanisms (paragraph 3.46) can be made. In addition, there will be contractual

clauses requiring progress reports and audited financial statements for each of the executing agencies. In addition, borrowing caps will be established for the ICIs and the subborrowers (paragraphs 3.16 and 3.18).

Recognition of previous expenditures: Up to US\$1.5 million in expenses incurred may be recognized as part of the proposed financing and US\$375,000 as part of the local counterpart funding (paragraph 3.39).

**PROCUREMENT OF
GOODS AND
CONSULTING
SERVICES:**

The threshold above which international competitive bidding will be required for procurement under the technical cooperation subprogram will be US\$350,000 for goods and US\$200,000 for consulting services (see paragraphs 3.40 to 3.42).

**SOCIAL
CLASSIFICATION:**

As established in paragraph 2.13 of the Eighth Replenishment document (document AB-1704), the proposed operation qualifies as a social program, since many of the activities it encompasses are designed to create income and employment opportunities for the most disadvantaged segments of Bolivian society, through development of the microenterprise sector. The operation also qualifies as a poverty-targeted program (paragraph 2.15 of document AB-1704).